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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA - UAW

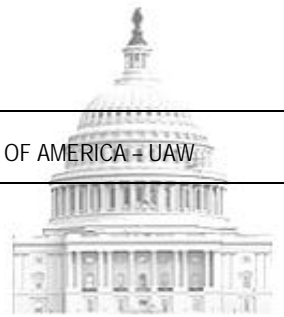
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July 28, 2006

Dear Representative:

We understand that later today the House will take up a stand alone pension bill that incorporates the agreements that had been reached in the pension conference. The UAW supports this bill and urges you to vote for it.

The UAW believes that balanced legislation is needed to strengthen the funding of pension plans, both to improve the security of benefits promised to workers and retirees and to reduce the exposure of the Pension Benefit Guaranty Corporation (PBGC) for unfunded pension liabilities. Contrary to some reports, the truth is the pension bill that will be considered by the House contains provisions that will increase significantly the funding requirements for most single-employer defined benefit pension plans. This includes provisions increasing the funding target to 100% of liabilities, shortening the period for funding any shortfalls and new benefits to 7 years, and directing plans to use interest rate assumptions that reflect the age of their participants.

At the same time, the UAW is very pleased that this pension bill does **not** include a dangerous proposal that would have imposed even more stringent "at-risk" funding requirements on companies with below investment grade credit ratings. In our judgment, this counterproductive proposal would have punished companies that are already experiencing financial difficulties, potentially resulting in more bankruptcies, plant closings and job loss, and plan terminations. Instead, the pension bill only imposes the stricter "at-risk" funding requirements on plans that fall below certain funding thresholds. We believe this approach properly focuses these rules on plans that are not adequately funded. We are also pleased that these rules are graduated, with the additional "load factor" only being imposed on plans that repeatedly fall below the funding thresholds, and also allow the auto industry to use more accurate retirement assumptions that recognize the impact of the recent attrition programs.

The UAW believes it is especially important that this pension legislation includes provisions from the original House-passed bill that would protect workers and retirees in well funded plans from having their pension benefits and accruals frozen solely because of the subtraction of a credit balance. This includes a provision requiring employers to waive the portion of a credit balance necessary to avoid triggering any restrictions on pension accruals and benefits. It also includes a provision establishing a safe harbor

from the credit balance subtraction rule for plans that are well funded. Taken together, these provisions will encourage companies to maintain and improve the funded status of their plans, and prevent them from gaming the funded status in order to deliberately trigger benefit restrictions.

The UAW also believes it is important that this pension legislation allows pension plans to continue to offer plant shutdown benefits if they are at least 60% funded. This rejects the Bush administration's proposal to completely outlaw shutdown benefits, and allows most companies to continue to use these types of benefits to help cushion the impact of corporate downsizing on older workers. In addition, we are pleased that this pension bill allows most pension plans to continue to adjust benefits to keep pace with the growth in wages, in order to avoid a reduction in the real value of benefits for workers and retirees.

In our judgment, this pension bill contains other positive provisions that would:

- allow amortization of gains, as well as losses; and
- allow plans to use assumptions that more accurately reflect the actual mortality of their participants.

Taken together, these provisions will provide greater accuracy in valuing pension assets and liabilities, while helping to moderate the burden of the new funding rules on older manufacturing companies. At the same time, this pension bill avoids the extreme volatility that would have been created by the Senate provision limiting the smoothing of assets and liabilities to only one year, and instead provides for a two-year smoothing period. It is also important that the effective date of the new funding rules is delayed until 2008, thereby giving plan sponsors more time to adjust to the new requirements.

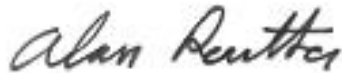
The UAW welcomes the fact that this pension bill includes special provisions to assist the troubled airline industry, as well as reforms sought by companies and unions that sponsor multi-employer pension plans. We believe these provisions will benefit employers, workers and retirees, while ultimately reducing the number of plan terminations and the liabilities that are shifted to the PBGC. At the same time, from our perspective it is vital that this pension bill does **not** contain incentives or mechanisms for other companies to abuse the bankruptcy process in order to freeze or terminate their pension plans.

The UAW also welcomes the provisions in this pension bill that would make it clear prospectively that cash balance plans do not violate age discrimination rules, but also prevent the "wear away" of previously earned benefits. In our judgment, this should encourage more companies to remain in the defined benefit pension system, while protecting the legitimate benefit expectations of older workers. We also applaud the provisions giving workers and retirees some protections against potential conflicts of interest in employer-provided investment advice.

The UAW recognizes that this pension bill contains compromises on a wide range of issues. None of the conferees, and none of the stakeholders in the pension issue may be entirely satisfied with each and every provision. But when the bill is viewed in its entirety, we believe it is worthy of support. This pension legislation will strengthen the funding of pension plans. At the same time, it avoids certain dangerous proposals that would have negatively impacted employers, workers and retirees.

For these reasons, the UAW supports the pension legislation that we understand will be taken up by the House later today. We urge you to vote for this important measure.

Sincerely,

A handwritten signature in dark ink, reading "Alan Reuther". The signature is fluid and cursive, with the first name "Alan" and last name "Reuther" clearly distinguishable.

Alan Reuther  
Legislative Director

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